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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/12 AND ENDING 12/31/12  
MM/DD/YY MM/DD/YY

**OMB APPROVAL**

OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response . . . 12.00

**SEC FILE NUMBER**

**8-66560**

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **HWJ Capital Partners II, LLC**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No.)

**751 Park of Commerce Drive, Suite 118**

(No. and Street)

**Boca Raton**

**Florida**

**33487**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Joseph W. Harch**

**561-226-6199**

(Area Code - Telephone Number)

**OFFICIAL USE ONLY**

FIRM ID. NO.

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Daszkal Bolton LLP**

(Name - if individual state last, first, middle name)

**2401 NW Boca Raton Boulevard**

**Boca Raton**

**Florida**

**33431**

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

☒ **Certified Public Accountant**

☐ **Public Accountant**

☐ **Accountant not resident in United States or any of its possessions.**

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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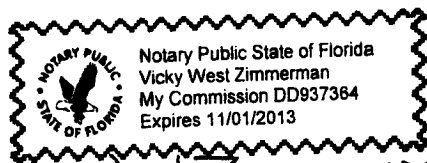
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OATH OR AFFIRMATION

I, Joseph W. Harch, swear (or affirm) that, to my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **HWJ Capital Partners II, LLC**, as of **December 31, 2012**, are true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Vicky West Zimmerman  
Notary Public Palm Beach County

Joseph W. Harch  
Signature  
MANAGING MEMBER  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing page
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SICP Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**DaszkalBolton LLP**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Managing Member  
HWJ Capital Partners II, LLC  
Boca Raton, Florida

We have audited the accompanying statement of financial condition of HWJ Capital Partners II, LLC (the "Company") as of December 31, 2012, and the related statements of income, changes in member's equity and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HWJ Capital Partners II, LLC as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **INDEPENDENT AUDITORS' REPORT**

*Continued from previous page*

### ***Other Matter – Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Capital Balance LLP*

Boca Raton, Florida  
February 19, 2013

**HWJ CAPITAL PARTNERS II, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2012**

---

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 113,244
Investments	1,039,035
Accounts receivable from related party	55,175
Prepaid expenses	<u>2,117</u>
Total current assets	1,209,571
 Deposits	 <u>349</u>
Total assets	<u>\$ 1,209,920</u>

**LIABILITIES AND MEMBERS' EQUITY**

Current liabilities	
Due to managing member	\$ 195,147
Accounts payable and accrued expenses	<u>17,554</u>
Total current liabilities	<u>212,701</u>
 Member's equity	 <u>997,219</u>
 Total liabilities and member's equity	 <u>\$ 1,209,920</u>

See accompanying notes to financial statements.

**HWJ CAPITAL PARTNERS II, LLC**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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Revenues:		
Proprietary trade gains	\$	32,208
Interest and dividend income		4,155
Unrealized gains on trading securities		<u>22,930</u>
Total revenues		<u>59,293</u>
Expenses:		
Professional fees		34,349
Clearing charges		10,123
Office expense sharing		4,476
Regulatory fees		2,918
Fidelity bond and SIPC expense		223
Other expenses		<u>19</u>
Total expenses		<u>52,108</u>
Net income	\$	<u>7,185</u>

See accompanying notes to financial statements.

**HWJ CAPITAL PARTNERS II, LLC**  
**STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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	<u>Member's Equity</u>
Balance, December 31, 2011	\$ 990,034
Net income	<u>7,185</u>
Balance, December 31, 2012	<u>\$ 997,219</u>

See accompanying notes to financial statements.



**HWJ CAPITAL PARTNERS II, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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Cash flows from operating activities:

Net income	\$ 7,185
Changes in operating assets and liabilities:	
Unrealized gain on trading securities	(22,930)
Increase in prepaid expenses	(2,117)
Increase in related party receivable	(33,351)
Decrease in deposits	690
Increase in accounts payable and accrued expenses	<u>3,820</u>
Net cash used in operating activities	<u>(46,703)</u>

Cash flows from investing activities:

Increase in investments held	<u>(1,016,105)</u>
Net cash used in investing activities	<u>(1,016,105)</u>

Cash flows from financing activities:

-

Net change in cash and cash equivalents (1,062,808)

Cash and cash equivalents, beginning of year 1,176,052

Cash and cash equivalents, end of year \$ 113,244

See accompanying notes to financial statements.

**HWJ CAPITAL PARTNERS II, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF BUSINESS**

HWJ Capital Partners II, LLC (the "Company") (a Florida Limited Liability Company) is a broker-dealer located in Boca Raton and New York. The Company is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

The Company considers all highly liquid debt instruments with original maturities of three months or less when acquired to be cash equivalents.

**Securities Transactions**

The Company is engaged solely in the proprietary trading of equities and bonds through a securities clearing firm. Proprietary securities transactions are recorded on the trade date as if they had settled.

The Company does not render investment advice, nor does it hold itself out as a broker-dealer to the public through advertising or otherwise. The Company does not have customers, does not carry a dealer inventory of securities, and does not hold the securities of others or extend or arrange for the extension of credit in connection with the sale of securities.

**Investment Valuation**

Investments in long and short positions in marketable securities are recorded at their market value, in accordance with ASC 820-10, "Fair Value Measurements."

**Income Taxes**

The Company is not a taxpaying entity for federal income tax purposes therefore, no federal income tax expense has been recorded in the financial statements. Taxable results are passed through to member of the Company.

**Date of Management Review**

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through February 19, 2013, the date the financial statements were available for issue.

**HWJ CAPITAL PARTNERS II, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 – NET CAPITAL REQUIREMENT**

The Company, as a registered broker-dealer and as a member of FINRA, must comply with the Net Capital rule of the Securities and Exchange Commission. The Company has a capital requirement of the greater of \$100,000 or 6 2/3% of aggregate indebtedness. The Company had net capital as computed under Rule 15c3-1 of \$866,521, which is above the \$100,000 amount required to be maintained at December 31, 2012.

On June 29, 2012, the Company received a final report on the Examination of HWJ Capital Partners II, LLC (the "Report") from the Department of Member Regulation of FINRA based on its Financial/Operational and Sales Practice examination. The Report identified six violations ("Exceptions"); five of which member regulation has elected to take cautionary action and one which member regulation has elected to take no further action.

**NOTE 4 – RELATED PARTIES**

The Company's member also owns Harch Capital Management, LLC ("HCM") (a Florida Limited Liability Company). HCM is a registered investment advisor under the Investment Advisors Act of 1940. HCM provides the use of employees, office space, secretarial and services to the Company in accordance with an office sharing agreement. The Company's office sharing expenses were \$4,476 for the year ended December 31, 2012. Operating results of the Company might be significantly different if the companies were autonomous. HCM owes the Company \$55,175 at year end, primarily due to professional fees paid by the Company on behalf of HCM.

At December 31, 2012, the Company owed \$195,147 to the managing member of the Company.

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company measures the financial assets in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, or interest in open-end mutual funds that allow a company to sell its ownership interest back at net asset value ("NAV") on a daily basis. Valuations are obtained from readily available pricing sources for market transactions involving identical assets, liabilities or funds.
- Level 2 – Valuations for assets and liabilities traded in less active dealer, or broker markets, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active. Level 2 includes U.S. Treasury, U.S. government and agency debt securities, and mortgage-backed securities. Valuations are usually obtained from third party pricing services for identical or comparable assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, such as option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

**HWJ CAPITAL PARTNERS II, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED**

The availability of observable inputs can vary from instrument to instrument and in certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement of an instrument requires judgment and consideration of factors specific to the instrument.

The following table shows the Company's financial instruments adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category as of December 31, 2012.

	<u>Adjusted Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash	\$ 97,036	\$ -	\$ -	\$ 97,036	\$ 97,036	\$ -
Level 1:						
Money market funds	16,208	-	-	16,208	16,208	-
Level 2:						
Commercial paper	1,012,070	26,965	-	1,039,035	-	1,039,035
Total	\$ 1,125,314	\$ 26,965	\$ -	\$ 1,152,279	\$ 113,244	\$ 1,039,035

**NOTE 6 – COMMITMENTS**

The Company maintains a Fully Disclosed Clearing Agreement (the "Agreement") with COR Clearing, LLC (previously named Legent Clearing, LLC.) The Agreement is effective through May 6, 2013, and early termination fees apply, including the monthly fees due on the remaining Agreement.

Refer to Note 3 with respect to FINRA Regulatory requirements.

**NOTE 7 – CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The Company's marketable securities are held in accounts at a brokerage firm. At December 31, 2012, \$652,280 exceeded the FDIC and SIPC insured limits.

## **SUPPLEMENTARY INFORMATION**

**HWJ CAPITAL PARTNERS II, LLC**  
**SCHEDULE I – COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2012**

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Net capital:

Total member's equity	\$ 997,219
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Non-allowable assets:

Central Registry Depository (CRD) Deposit	(349)
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Prepaid expenses	(2,117)
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Accounts receivable from related party	<u>(55,175)</u>
--	-----------------

Total non-allowable assets	<u>(57,641)</u>
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Haircuts on securities	<u>(73,057)</u>
------------------------	-----------------

Total net capital	<u>866,521</u>
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Minimum net capital required - 6 2/3% of aggregate  
indebtedness included in the balance sheet or  
\$100,000 whichever is greater

<u>100,000</u>
----------------

Excess net capital

<u>766,521</u>
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Aggregate indebtedness as included in the  
Statement of Financial Condition

<u>212,701</u>
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Ratio of aggregate indebtedness to net capital

<u>0.246</u>
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There are no material differences between the computation of net capital per the FOCUS report at December 31, 2012 as compared to the computation of net capital as shown above.

**HWJ CAPITAL PARTNERS II, LLC**  
**SCHEDULE II – SUPPLEMENTARY INFORMATION PURSUANT TO**  
**RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934**  
**DECEMBER 31, 2012**

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HWJ Capital Partners II, LLC is claiming exemption under the provisions of SEC rule 15c3-3(k)(2)(ii). Therefore, the following reports are not presented:

- A) Computation for Determination of Reserve Requirement under Rule 15c3-3.
- B) Information Relating to the Possession or Control Requirements under Rule 15c3-3.



**DaszkalBolton LLP**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON  
PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION**

To the Managing Member  
HWJ Capital Partners II, LLC  
Boca Raton, Florida

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (General Assessment Reconciliation (Form SIPC-7)) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2012, which were agreed to by HWJ Capital Partners II, LLC (the "Company") and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries, noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2012, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2012, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules, noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.


*DaszkalBolton LLP*

Boca Raton, Florida  
February 19, 2013

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**SIPC-7**

(33-REV 7/10)

**SECURITIES INVESTOR PROTECTION CORPORATION**  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation****SIPC-7**

(33-REV 7/10)

For the fiscal year ended December 31, 2012  
(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

66560 FINRA

HWJ Capital Partners II, LLC  
751 Park of Commerce Drive, Suite 118  
Boca Raton, FL 33487

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to [form@sipc.org](mailto:form@sipc.org) and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (item 2e from page 2) \$ 123
- B. Less payment made with SIPC-6 filed (exclude interest) ( 1 )  
2/28/12 ck#1034  
Date Paid
- C. Less prior overpayment applied ( )
- D. Assessment balance due or (overpayment) 122
- E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 122
- G. PAID WITH THIS FORM:  
Check enclosed, payable to SIPC  
Total (must be same as F above) \$ 122
- H. Overpayment carried forward \$( )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

\_\_\_\_\_  
(Name of Corporation, Partnership or other organization)

\_\_\_\_\_  
(Authorized Signature)

Dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates: Postmarked Received Reviewed

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_

Exceptions:

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning Jan 1, 20 12  
and ending Dec 31, 20 12  
Eliminate cents

<b>Item No.</b>		
2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)		\$ 59,294
2b. Additions:		
(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.		
(2) Net loss from principal transactions in securities in trading accounts.		
(3) Net loss from principal transactions in commodities in trading accounts.		
(4) Interest and dividend expense deducted in determining item 2a.		
(5) Net loss from management of or participation in the underwriting or distribution of securities.		
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.		
(7) Net loss from securities in investment accounts.		
Total additions		
2c. Deductions:		
(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.		
(2) Revenues from commodity transactions.		
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.		10,123
(4) Reimbursements for postage in connection with proxy solicitation.		
(5) Net gain from securities in investment accounts.		
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.		
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).		
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):		
(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.	\$	
(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3980).	\$	
Enter the greater of line (i) or (ii)		
Total deductions		10,123
2d. SIPC Net Operating Revenues		\$ 49,171
2e. General Assessment @ .0025		\$ 123
		(to page 1, line 2.A.)

# **INTERNAL CONTROL**



**DaszkalBolton LLP**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5**  
**CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Managing Member  
HWJ Capital Partners II, LLC  
Boca Raton, FL

In planning and performing our audit of the financial statements and supplemental schedules of HWJ Capital Partners II, LLC (the "Company") as of and for the year ended December 31, 2012 in accordance with auditing standards of the Public Company Accounting Oversight Board (United States), we considered the Company's internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g)(1) in (1) making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and (2) determining compliance with the exceptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13
- 2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, and
- 3) Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g)(1) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5**  
**CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

*Continued from previous page*

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily disclose all matters in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, Inc., and other regulatory agencies that rely on rule 17a-5(g)(1) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Angela Calton LLP*

Boca Raton, Florida  
February 19, 2013